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ABSTRACT

This guide is intended to provide the student loan industry with information on how cohort default rates are calculated for originating lenders, current lenders, and guaranty agencies participating in the Federal Family Education Loan Program. The guide notes that fiscal year 1995 data will be calculated based on data reported to the National Student Loan Data System by the guaranty agencies, and will include: subsidized Federal Stafford, unsubsidized Federal Stafford, Federal Supplemental Loan for Students (SLS), and Federal consolidation loans used to repay Stafford or SLS loans. Sections of the document provide the formula for calculating 1995 cohort default rates; a Department of Education contact list; information on how to correct cohort default rates; information about back-up data printouts; a list of guaranty agencies; and a set of commonly asked questions with answers. (JLS)

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COHORT DEFAULT RATE GUIDE FOR GUARANTY AGENCIES AND LENDERS



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Fiscal Year 1995

U.S. Department of Education
Student Financial Assistance Programs
Guarantor and Lender Oversight Service

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INTRODUCTION

This guide contains information about the publication of the Fiscal Year (FY) 1995 cohort default rates for originating lenders, current holders, and guaranty agencies participating in the Federal Family Education Loan (FFEL) Program, as mandated by the Higher Education Act of 1965, as amended.

BACKGROUND

Under Section 430(e) of the Higher Education Act of 1965, as amended (HEA), the Department of Education (Department) is required to publish a list of the cohort default rates of lenders, holders, and guaranty agencies participating in the FFEL Program. The purpose of this guide is to provide the student loan industry with information on the calculation of the cohort default rates. Please retain this guide to answer any questions that may arise when you receive notice of your default rate.

The term **cohort default rate** is defined in Section 435(m) of the HEA. The formula for calculating the cohort default rate is described below. Cohort default rates will be calculated for originating lenders, holders, and guaranty agencies on the basis of their respective Office of Postsecondary Education Lender Identification Numbers (LID) or Guaranty Agency Identification Numbers. Each assigned number identifies a separate lender or guaranty agency on record at the Department of Education. The LID provides the guaranty agencies with a means of reporting loan activity.

The FY 1995 cohort default rates will be calculated based on data electronically reported to the National Student Loan Data System (NSLDS) by the guaranty agencies. Subsidized Federal Stafford, Unsubsidized Federal Stafford, Federal Supplemental Loan for Students (Federal SLS), and Federal Consolidation Loans that repaid Federal Stafford or Federal SLS loans will be included in the calculation of cohort default rates. The NSLDS data submitted by the guaranty agencies were prepared according to procedures developed by the Department and reflect activity on the loans through September 30, 1996. Since the FY 1995 cohort default rates were calculated based on data supplied to the Department by the guaranty agencies, a lender or holder should address any initial questions on data to these agencies.

Loans made under a Lender-of-Last-Resort program are not used in the calculation. Federal PLUS Loans and Federally Insured Student Loans are not used in the calculation. Loans that were transferred from one guaranty agency to another prior to submission of the NSLDS data to the Department are included in the NSLDS data submitted by the receiving agency, but are not included in the NSLDS data submitted by the transferring agency. For example, if a loan was originally guaranteed by the Higher Education Assistance Foundation (HEAF) and was

transferred to the Great Lakes Higher Education Corporation (Great Lakes), that loan was reported by Great Lakes.

The formula for calculating a cohort default rate is:

$$100 \times \frac{\begin{array}{c} \text{\# of students who entered repayment in FY 1995 and defaulted on or before the} \\ \text{end of FY 1996} \\ \text{(Numerator)} \end{array}}{\begin{array}{c} \text{\# of students who entered repayment in FY 1995} \\ \text{(Denominator)} \end{array}}$$

Example:

A lender has made loans to 100 students entering repayment in FY 1995 (October 1, 1994 through September 30, 1995). Of those 100 students, 25 defaulted on their student loans prior to October 1, 1996 and had a default claim paid by the guaranty agency. This lender's FY 1995 cohort default rate is calculated by dividing 25 by 100 and multiplying the result by 100 to produce a cohort default rate of 25.0 percent.

The number of students who entered repayment is determined by counting the number of **different social security numbers** in that category. If a student had more than one loan included in the data (for example, two Federal Stafford Loans or one Federal Stafford and one Federal SLS loan), the student will be counted only once. However, if a student borrowed from more than one lender, he or she is counted in the calculation for each lender.

If a student has a loan that entered repayment in FY 1995 and a default claim was paid by the guaranty agency on that loan before October 1, 1996, the student is counted as being in default.

If a student entered repayment in FY 1995, defaulted on his or her loan and a default claim was paid before October 1, 1996, the loan continues to be counted as in default in the FY 1995 cohort default rate calculation, even if the student later enters into a repayment arrangement with the guaranty agency, or the student subsequently repaid his or her loan in full to the guaranty agency.

Loans that are discharged due to death, total and permanent disability, or bankruptcy are not counted in the numerator when calculating the FY 1995 cohort default rate **if** the guaranty agency was officially notified of the death, disability, or bankruptcy **before** a default claim was paid.

Once data for a specific fiscal year is electronically submitted to NSLDS by a guaranty agency and is accepted for calculation purposes, the Department continues to update data on a monthly basis during the period in which the rates calculated for that year are in effect. Technical data processing questions relating to the calculation of default rates, which cannot be answered by the

guaranty agency, should be directed to the Department's NSLDS Division at (202) 708-8125 or NSLDS Customer Service Hotline at 1-800-999-8219.

Section 430(e) of the HEA also mandates that originating lenders, holders, and guaranty agencies have the opportunity to correct cohort default rate information. If a lender or holder believes that the data are incorrect and should be changed, it should promptly contact the guaranty agency to request back-up data. Any request to the guaranty agency should be signed by an official of the lender or holder who is authorized to act on the lender's behalf in this regard. See page 5 for instructions on how to correct cohort default rate information. For information about back-up data printouts see page 7.

Lenders (or holders) that have questions about the data should contact the guaranty agency. Page 8 lists the addresses and telephone numbers of the guaranty agencies.

Other questions on lender, holder, or guaranty agency default rates may be referred to the Default Coordination Team of the Guarantor and Lender Oversight Service, the address listed on page 4.

Department of Education Contact List

For technical data processing questions regarding the calculation of the default rates, contact:

U.S. Department of Education
NSLDS Division, Program Systems Service
ATTN: COTR
Room 4520, ROB-3
600 Independence Avenue, S.W.
Washington, D.C. 20202-5456
(202) 708-8125

For copies of regulations, Dear Colleague Letters, and other student aid publications, contact:

U.S. Department of Education
Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044-0084
1-800-433-3243

For other questions on lender, holder, or guaranty agency default rates, contact:

U.S. Department of Education
Default Coordination Team
Guarantor and Lender Oversight Service
Room 4616, ROB-3
600 Independence Avenue, S.W.
Washington, D.C. 20202-5138
(202) 401-7482

To resolve errors in your lender (or holder) back-up data, contact the guaranty agency that reported the data to the Department. A list of the guaranty agencies and their addresses is included on Page 8, "Guaranty Agency List".

For information on school cohort default rates, contact:

U.S. Department of Education
Default Management Division
Institutional Participation and Oversight Service
Portals Building, Room 6300
600 Independence Avenue, S.W.
Washington, D.C. 20202-5353
(202) 708-9396

Correcting Cohort Default Rates

Under Section 430(e) of the HEA, lenders, holders, and guaranty agencies are allowed the opportunity to correct cohort default rate information. The Department calculates cohort default rates based on data electronically submitted to NSLDS by guaranty agencies. The NSLDS data reflects loan activity as of September 30 of each year. The Department selects certain relevant fields from NSLDS, compiles the data by borrower identification (the student's social security number) and lender code, and then performs the calculations necessary to determine the cohort default rate.

Although a student's loan records may be included in both the Federal Stafford and Federal SLS data because he or she had both Federal Stafford and Federal SLS loans from the same lender or holder entering repayment in the same fiscal year, the student is only counted once in the cohort default rate calculation. Likewise, if there are multiple loan records for the student for one of the loan programs, the student is still counted only once. If a student borrowed from more than one lender, he or she is counted in the calculation for each lender. You should note that the data reflects the status of loans through September 30 of the year following the cohort year. Thus, data for the FY 1995 cohort year reflects the status of loans only through September 30, 1996. Changes after that date, including a student's present loan status, have no bearing on the cohort default rate calculation.

If you are an originating lender or holder and believe that the cohort default rate was calculated based on erroneous data, contact the guaranty agency. If you discover discrepancies between the information in your records and the data provided to the Department by the guaranty agencies, you should try to resolve the problem with the guaranty agency that submitted the data to the Department. You should submit to the guaranty agency all the relevant documentation supporting your contention that the data relating to a particular loan are incorrect and should be changed. The guaranty agency will review the documentation you submit and determine whether it agrees that the data are incorrect. The guaranty agency will notify you and the Department, in writing, of its conclusions. The Department will make the final decision as to whether the data should be corrected based on its review of the information provided by you and the guaranty agency. If the correction is approved by the Department, the guaranty agency will be notified and will make the appropriate changes in the default rate information provided to NSLDS.

The process for data correction is as follows:

1. Lenders or holders are urged to promptly request back-up data from the guaranty agency if they believe their cohort default rates were calculated on the basis of incorrect data. A delay in requesting the back-up data may delay the agency's response. (Back-up data is an extract of the loan records that formed the basis for calculating your lender or holder cohort default rate.) To ensure that back-up data is released only to responsible parties, any request to the guaranty

agency should be signed by an official of the lender or holder who is authorized to act on its behalf in this regard.

2. The guaranty agency should promptly respond to a lender's or holder's request by requesting the appropriate back-up data from NSLDS on behalf of the lender. The data will be sent to the official lender address.

3. After reviewing the back-up data, the lender or holder should submit the appropriate documentation to the guaranty agency in support of its contention that the data are incorrect. Such documentation should include the borrower's name, social security number, and the nature of the error in each case. Supporting documentation could include copies of the guarantor's notice of a change on the Student Status Confirmation Report, canceled checks, or copies of other pertinent information. To ensure timely processing of the request, borrowers should be listed in social security number order. A lender or holder should identify the cohort year to which the corrections apply. All requests to the guaranty agency for a correction should be signed by an official of the lender or holder who is authorized to act on its behalf in this regard.

4. The guaranty agency should analyze a lender's or holder's request for data correction and determine whether it will agree with or deny the request for a correction.

5. When the guaranty agency has completed its analysis of the request for data correction, the lender or holder must be notified of the agency's conclusions. A copy of the letter from the guaranty agency agreeing with or denying the data correction must be sent to the Department of Education, Guarantor and Lender Oversight Service, Default Coordination Team at the address listed below. After receiving the agency's response, the lender should inform the Department, in writing, whether it agrees with the agency or believes that the agency is wrong. Based on these submissions, the Department will make the final decision on the requested data correction and will notify the appropriate lender or holder and guaranty agency of its determination.

U.S. Department of Education
ATTN: Default Coordination Team
600 Independence Avenue, S.W.
ROB-3, Room 4616
Washington, D.C. 20202-5138

Information About Back-Up Data Printouts

How to Read Back-Up Data Printout

A back-up data printout, called a "Loan Record Detail Report," is an extract of the loan records that forms the basis for calculating your lender or guaranty agency cohort default rate.

At the top of the first page of the printout you will find general information, including the name of the lender or guaranty agency, the corresponding ID code, the cohort year covered, and the process date. The process date is the date that the Department printed the report; it is not the date the Department receives or uses the data to determine your lender or guaranty agency cohort default rate.

The back-up data is sorted by borrower social security number. The data field descriptions for the back-up data can be found on the first two lines at the top of each page of back-up data--one right below the other. To locate specific loan information for a particular borrower, make sure you read the line of the loan record that corresponds with the data field description line.

Privacy Act Notice

Back-up data contains the social security numbers and names of students. It contains material of private nature. The use of this material is covered by the U.S. Privacy Act and may also be governed by State and local laws and regulations, as well as by your own policies. You should take appropriate steps to safeguard this material and ensure that it is used and disposed of appropriately.

Guaranty Agency List

This section lists the names, addresses, and other identifying information of the guaranty agencies. The address may be used to contact guaranty agencies to resolve discrepancies in backup data. However, do not use this address if a guaranty agency has provided you with a different address or addressee.

Each agency is listed in alphabetical order by the name of the state in which it is the primary guarantor. The three-digit guaranty agency code listed in parentheses for each agency is the coding system used by the Department to identify each guaranty agency.

The Higher Education Assistance Foundation (HEAF) ceased operations on December 31, 1993.

In preparation for the closing, HEAF transferred its remaining guarantees on loans not in default to other guaranty agencies. Affected lenders were notified of the guaranty agency now holding their student loan guarantees which were originally issued by HEAF. The new guaranty agency will be reported on the back-up data. The Department possesses the records on defaulted loans on which HEAF paid default claims to lenders. The Educational Credit Management Corporation (ECMC), (formally the Transitional Guaranty Agency (TGA)), processes records relating to a small number of loans guaranteed by HEAF that were not transferred to other agencies and for loans guaranteed by HEAF that were paid as or subsequently became Chapter 13 bankruptcy claims. ECMC also holds and services Chapter 13 default bankruptcies for numerous guaranty agencies that, on a voluntary basis, transfer these portfolios to ECMC.

The Puerto Rico Higher Education Assistance Corporation (PRHEAC) ceased operations on April 15, 1994 and all guarantees were transferred to the Great Lakes Higher Education Corporation (GLHEC). GLHEC will hold all defaulted loans and related records previously held by PRHEAC. **NOTE: If your organization is correcting its default rates based on erroneous data, the possible errors must be identified to Great Lakes.**

The Mississippi Guaranty Student Loan Agency (MGSLA) ceased operations on September 30, 1994 and all guarantees were transferred to the United Student Aid Funds, Inc. (USAF). USAF will hold all defaulted loans and related records previously held by MGSLA. **NOTE: If your organization is correcting its default rates based on erroneous data, the possible errors must be identified to USAF.**

The Student Loan Fund of Idaho, Inc. (SLFI) has been replaced (July 1, 1994) by the Northwest Education Loan Association (NELA) as the designated guarantor. However, SLFI has not yet transferred defaulted loans and related records to NELA.

NOTE: If your organization is correcting its default rates based on erroneous data, the possible errors must be identified to SLFI.

The Delaware Higher Education Loan Program (DHELP) ceased guarantor operations on April 24, 1996 and all guarantees were transferred to Pennsylvania Higher Education Assistance Agency (PHEAA). PHEAA will hold all defaulted loans and related records previously held by DHELP. **NOTE: If your organization is challenging its default rate based on erroneous data, you must notify PHEAA of the possible errors.**

The State Education Assistance Authority (SEAA) in Virginia has been replaced (July 1, 1996) by the Educational Credit Management Corporation (ECMC) as the designated guarantor. **NOTE: If your organization is challenging its default rate based on erroneous data, you must notify ECMC of the possible errors.**

The Ohio Student Aid Commission (OSAC) ceased guarantor operations effective August 1, 1996 and all guarantees were transferred to Great Lakes Higher Education Corporation (GLHEC). GLHEC will hold all defaulted loans and related records previously held by OSAC. **NOTE: If your organization is challenging its default rate based on erroneous data, you must notify GLHEC of the possible errors.**

The Alabama Commission of Higher Education (ACHE) ceased operations in December, 1996 and all guarantees have been transferred to Kentucky Higher Education Assistance Authority (KHEAA) as of June, 1996. KHEAA will hold all defaulted loans and related records previously held by ACHE. **NOTE: If your organization is challenging its default rate based on erroneous data, you must notify KHEAA of the possible errors.**

NORTHSTAR Guarantee Incorporated will cease operations in December, 1997 and all guarantees will be transferred to Great Lakes Higher Education Corporation (GLHEC). GLHEC will hold all defaulted loans and related records previously held by Northstar. **NOTE: If your organization is challenging its default rate based on erroneous data, you must notify GLHEC of the possible errors.**

Alabama, AL (701)

SEE Kentucky

Alaska, AK (702)

SEE United Student Aid Funds, Inc.

Arizona, AZ (804)

SEE United Student Aid Funds, Inc.

Arkansas, AR (705)

Student Loan Guarantee Foundation of Arkansas
219 South Victory
Little Rock, AR 72201-1884
(501) 372-1491

California, CA (706)

California Student Aid Commission
P.O. Box 510845
Sacramento, CA 94245-0845
(916) 445-0880

Colorado, CO (708)

Colorado Student Loan Program
One Denver Place
999 18th Street, Suite 425
Denver, CO 80202-2440
(303) 294-5050

Connecticut, CT (709)

Connecticut Student Loan Foundation
525 Brook Street, P. O. Box 1009
Rocky Hill, CT 06067
(860) 257-4001

Delaware, DE (710)

SEE Pennsylvania

District of Columbia, DC (611)

See Massachusetts

Educational Credit Management Corporation (ECMC) (927)
(Formerly the Transitional Guaranty Agency (TGA))

American National Bank Building
101 East 5th Street, Suite 2400
St. Paul, MN 55101
(602) 221-0566

Florida, FL (712)

State of Florida, Department of Education
Office of Student Financial Assistance
1344 Florida Education Center
325 West Gain Street
Tallahassee, FL 32399
(904) 488-4095

Georgia, GA (713)

Georgia Higher Education Assistance Corporation
2082 East Exchange Place, Suite 200
Tucker, GA 30084
(770) 414-3000

Hawaii, HI (815)

SEE United Student Aid Funds, Inc.

Idaho, ID (716)

Student Loan Fund of Idaho, Inc.
P. O. Box 730
Fruitland, ID 83619
(208) 452-4058

Illinois, IL (717)

Illinois Student Assistance Commission
1755 Lake Cook Road
Deerfield, IL 60015
(847) 948-8500

Indiana, IN (718)

SEE United Student Aid Funds, Inc.

Iowa, IA (719)

Iowa College Student Aid Commission
200 10th Street
Fourth Floor
Des Moines, IA 50309-3609
(515) 281-3501

Kansas, KS (620)

SEE United Student Aid Funds, Inc.

Kentucky, KY (721)

Kentucky Higher Education Assistance Authority
1050 U.S. 127 South
Suite 102
Frankfort, KY 40601-4323
(502) 564-7990

Louisiana, LA (722)

Louisiana Office of Student Financial Assistance
P. O. Box 91202
Baton Rouge, LA 70821-9202
(504) 922-1012

Maine, ME (723)

Maine Education Assistance Division
Finance Authority of Maine
#119 State House Station
One Weston Court
Augusta, ME 04333
(207) 626-8200

Maryland, MD (724)

SEE United Student Aid Funds, Inc.

Massachusetts, MA (725)

American Student Assistance
330 Stuart Street, Berkeley Place
Boston, MA 02116-5292
(800) 999-9080

Michigan, MI (726)

Michigan Higher Education Assistance Authority
P. O. Box 30047
Lansing, MI 48909
(800) 642-5626

Minnesota, MN (727)

SEE Wisconsin

Mississippi, MS (728)

SEE United Student Aid Funds, Inc.

Missouri, MO (729)

Coordinating Board for Higher Education
3515 Amazons Drive
Jefferson City, MO 65109-5717
(573) 751-2361

Montana, MT (730)

Montana Guaranteed Student Loan Program
2500 Broadway
Helena, MT 59620-3101
(406) 444-6594

Nebraska, NE (731)

Nebraska Student Loan Program
1300 O Street
P.O. Box 82507
Lincoln, NE 68501-2507
(402) 475-8686

Nevada, NV (732)

SEE United Student Aid Funds, Inc.

New Hampshire, NH (733)

New Hampshire Higher Education Assistance Foundation
44 Warren Street
P. O. Box 877
Concord, NH 03302-0877
(603) 225-6612

New Jersey, NJ (734)

New Jersey Higher Education Assistance Authority
Guaranteed Student Loan Program
4 Quakerbridge Plaza
Trenton, NJ 08625
(800) 792-8670

New Mexico, NM (735)

New Mexico Student Loan Guarantee Corporation
3900 Osuna, N.E.
P.O. Box 27020
Albuquerque, NM 87125-7020
(505) 345-3371

New York, NY (736)

New York State Higher Education Services Corporation
99 Washington Avenue, Twin Towers
Albany, NY 12255
(518) 473-7087

North Carolina, NC (737)

North Carolina State Education Assistance Authority
P.O. Box 2688
Chapel Hill, NC 27515-2688
(919) 549-8614

North Dakota, ND (738)

Student Loans of North Dakota
North Dakota Guaranteed Student Loan Program
P. O. Box 5524
Bismarck, ND 58506-5524
(701) 328-5763

Ohio, OH (739)

SEE Wisconsin

Oklahoma, OK (740)

Oklahoma State Regents for Higher Education
Guaranteed Student Loan Program
P. O. Box 3000
Oklahoma City, OK 73101
(405) 858-4300

Oregon, OR (741)

Oregon State Scholarship Commission
1500 Valley River Drive
Suite 100
Eugene, OR 97401
(541) 687-7400

Pennsylvania, PA (742)

Pennsylvania Higher Education Assistance Agency
1200 N. 7th Street
Towne House
Harrisburg, PA 17102
(717) 720-2850

Puerto Rico, PR (772)

SEE Wisconsin

Rhode Island, RI (744)

Rhode Island Higher Education Assistance Authority
560 Jefferson Boulevard
Warwick, RI 02886-1320
(401) 736-1100

South Carolina, SC (745)

South Carolina State Education Assistance Authority
Interstate Center
Suite 210
P. O. Box 210219
Columbia, SC 29221
(803) 798-0916

South Dakota, SD (746)

Education Assistance Corporation
115 First Avenue, S.W.
Aberdeen, SD 57401
(605) 225-6423

Tennessee, TN (747)

Tennessee Student Assistance Corporation
Parkway Towers, Suite 1950
404 James Robertson Parkway
Nashville, TN 37243-0820
(615) 741-1346

Texas, TX (748)

Texas Guaranteed Student Loan Corporation
P.O. Box 201725
Austin, TX 78720
(512) 219-5700

Transitional Guaranty Agency (927)

SEE Educational Credit Management Corporation

United Student Aid Funds, Inc. (USAF) (800)

United Student Aid Funds, Inc.
P.O. Box 6180
Indianapolis, IN 46206-6180
(317) 849-6510

Utah, UT (749)

Utah Higher Education Assistance Authority
335 West North Temple
#3 Triad Center, Suite 550
Salt Lake City, UT 84180-1025
(801) 321-7200

Vermont, VT (750)

Vermont Student Assistance Corporation
P. O. Box 2000, Champlain Mill
Winooski, VT 05404-2601
(802) 655-9602

Virgin Islands, VI (778)

SEE Wisconsin

Virginia, VA (751)

SEE Educational Credit Management Corporation

Washington, WA (753)

Northwest Education Loan Association
500 Coleman Building
811 First Avenue
Seattle, WA 98104
(206) 461-5300

West Virginia, WV (654)

SEE Pennsylvania

Wisconsin, WI (755)

Great Lakes Higher Education Corporation
P.O. Box 7858
Madison, WI 53707
(608) 246-1800

Wyoming, WY (656)

SEE United Student Aid Funds, Inc.

Commonly Asked Questions

What is a cohort default rate?

The term **cohort default rate** is defined in Section 435(m) of the HEA. The formula for calculating the cohort default rate is described below.

$$100 \times \frac{\begin{array}{l} \text{\# of students who entered repayment in FY 1995 and} \\ \text{\# defaulted on or before the end of FY 1996} \\ \text{(Numerator)} \end{array}}{\begin{array}{l} \text{\# of students who entered repayment in FY 1995} \\ \text{(Denominator)} \end{array}}$$

Example:

A lender has made 100 loans to students entering repayment in FY 1995 (October 1, 1994 through September 30, 1995). Of those 100 students, 25 defaulted on their student loans prior to October 1, 1996 and had a default claim paid by the guaranty agency. This lender's FY 1995 cohort default rate is calculated by dividing 25 by 100 and multiplying the result by 100 to produce a cohort default rate of 25.0 percent.

When is a loan considered to be in default?

A loan is considered in default for cohort default rate purposes if 1) a default claim on the loan was paid during the cohort period and 2) the claim reason/code is listed as "DF" (defaulted loan).

Where does the Department obtain the data for calculating these lender, holder and guaranty agency cohort default rates?

The FY 1995 cohort default rates were calculated based on data electronically reported to the National Student Loan Data System (NSLDS) by the guaranty agencies. The NSLDS data submitted by the guaranty agencies was prepared according to procedures developed by the Department and reflect activity through September 30, 1996.

What loans are included in a cohort default rate calculation?

Subsidized Federal Stafford, Unsubsidized Federal Stafford, Federal Supplemental Loans for Students (Federal SLS), and Federal Consolidation Loans that repaid Federal Stafford or Federal

SLS loans will be included in the calculation of cohort default rates. Loans made under a Lender-of-Last-Resort program are not used in the calculation. Loans that are transferred from one guaranty agency to another prior to submission of the NSLDS data to the Department are included in the NSLDS data submitted by the receiving agency, but are not included in the NSLDS data submitted by the transferring agency.

How is the numerator calculated?

If a student entered repayment in FY 1995, defaulted on his or her loan, and a default claim was paid by September 30, 1996, the loan continues to be counted as in default in the FY 1995 cohort default rate calculation, even if the student later enters into a repayment arrangement with the guaranty agency or repays his or her loan in full to the guaranty agency.

How is the denominator calculated?

The number of students that entered repayment is determined by counting the number of **different social security numbers** in that category. If a student had more than one loan included in the NSLDS (for example, two Federal Stafford Loans or one Federal Stafford and one Federal SLS loan), the student will be counted only once. However, if a student borrowed from more than one lender, he or she is counted in the calculation for each lender.

How are discharged loans counted, e.g., death, disability, or bankruptcy?

Loans that are discharged due to death, total and permanent disability, or bankruptcy are counted in calculating the FY 1995 cohort default rate as a part of the denominator. Loans that are discharged due to death, disability, or bankruptcy are not counted in calculating the FY 1995 cohort default rate as a part of the numerator **if** the guaranty agency was officially notified of the death, disability, or bankruptcy **before** a default claim was paid.

What opportunity will guaranty agencies, lenders, and holders have to correct the data?

Any originating lender, holder, or guaranty agency will have the opportunity to challenge its cohort default rate if it believes that the data used to calculate the rate are incorrect. To challenge the cohort default rate, the lender or holder must first request the back-up data from the guaranty agency. The back-up data is the data that was electronically reported to NSLDS by the guaranty agencies. To ensure that back-up data is released only to responsible parties, any request to the guaranty agency relating to the data correction process must be signed by an official of the lender or holder who is authorized to act on its behalf in this regard.

After requesting and reviewing the data, a lender or holder may contest its default rate by providing the guaranty agency with any relevant documentation to support its contention that the data are incorrect and should be changed. The guaranty agency must review the documentation and determine whether it agrees that the data are incorrect. The agency must notify the

lender or holder and the Department, in writing, of its conclusion. The Department will make the final decision on the correction(s).

What is the process for data corrections for lenders and holders?

1. Lenders or holders are urged to promptly request back-up data from the guaranty agency if they believe their cohort default rates were calculated on the basis of incorrect data. A delay in requesting the back-up data may delay the agency's response. To ensure that back-up data is released only to responsible parties, any request to the guaranty agency should be signed by an official of the lender or holder who is authorized to act on its behalf in this regard.
2. The guaranty agency should promptly respond to a lender's or holder's inquiry by requesting the appropriate back-up data from NSLDS on behalf of the lender. (The back-up data will be sent to the official lender address).
3. After reviewing the back-up data, the lender or holder should submit the appropriate documentation to the guaranty agency in support of its contention that the data are incorrect. Such documentation should include the borrower's name, social security number, and the nature of the error in each case. Supporting documentation could include copies of the guarantor's notice of a change on the Student Status Confirmation Report, canceled checks, or copies of other pertinent information. To ensure timely processing of the request, borrowers should be listed in social security number order. A lender or holder should identify the cohort year to which the corrections apply. All requests to the guaranty agency for a correction should be signed by an official of the lender or holder who is authorized to act on its behalf in this regard.
4. The guaranty agency should analyze a lender's or holder's request for data correction and determine whether it will agree with or deny the request for a correction.
5. When the guaranty agency has completed its analysis of the request for data correction, the lender or holder must be notified of the agency's conclusions. A copy of the letter from the guaranty agency agreeing with or denying the data correction must be sent to the Department of Education, Guarantor and Lender Oversight Service, Default Coordination Team at the address listed below. After receiving the agency's response, the lender should inform the Department, in writing, whether it agrees with the agency or believes that the agency is wrong. Based on these submissions, the Department will make the final decision on data correction and will notify the appropriate lender or holder and guaranty agency of its determination.

What is the process for data corrections for guaranty agencies?

The FY 1995 cohort default rates will be calculated based on data electronically reported to NSLDS by the guaranty agencies. The data submitted by the guaranty agencies were prepared according to procedures developed by the Department and reflect activity through September 30, 1996.

If a guaranty agency believes that its cohort default rate is incorrect, it must notify the Department at the address listed below. The guaranty agency will receive instructions on the documentation required by the Department to support its contention that the data are incorrect and should be changed.

U.S. Department of Education
Guarantor and Lender Oversight Service
ATTN: Default Coordination Team
Room 4616, ROB-3
600 Independence Avenue, SW
Washington, D.C. 20202-5138